

October 11, 2001

TO: Senator Snyder, Chairman
Senator McDonald
Representative Morris
Representative Cairnes
Fred Kiga, Director Department of Revenue
Marty Brown, Office of Financial Management

FROM: Chang Mook Sohn, Executive Director

SUBJECT: OCTOBER 10, 2001 REVENUE COLLECTION REPORT

General Fund-State (GFS) receipts were \$13.8 million less than expected in the September 11 - October 10 collections period. Revenue Act taxes (sales, B&O use, public utility and tobacco products taxes), the state's major excise taxes, were \$10.5 million below the estimate for the month accounting for most of the shortfall. Collections for the current period reflect business activity prior to the terrorist attacks in New York and Washington D.C. The weakness this month confirms that economic activity was slowing before the events on September 11th.

Revenue Act collections in the current collection period (primarily August 2001 business activity) were 0.5 percent less than a year-ago. This understates the weakness. Adjusting for an administrative change (the reporting frequency of more than 2000 excise taxpayers was changed from quarterly to monthly), collections this month are estimated to be 1.4 percent below the year-ago level. Last month collections (July activity) were 2.8 percent higher than a year-ago year (after adjusting for the change in reporting). The growth of Revenue act receipts has decelerated sharply in the first eight months of calendar 2001. Revenue act growth averaged 3.0 percent in the first four months of the year (January - April business activity), but has slowed to only 0.5 percent the in the last four months, (May - August activity). The deceleration is expected to continue.

Preliminary information on tax payments based on August business activity once again shows weakness across-the-board. The retailing sector reported only a 1.1 percent increase in tax payments. Within retailing, auto and furniture and appliance retailers reported declines, while other major sectors reported small increases. Outside retailing, tax payments of all major sectors with the exception of the service sector were below the year-ago level. The construction sector, the largest of the non-retailing sector, reported the largest decline, 12.8 percent. Tax payments of the service sector were up 4.9 percent from a year-ago.

Other General Fund taxes collected by the Department of Revenue were \$3.2 million below the estimate for the month. Weaker than expected estate tax and other revenue (primarily leasehold excise tax) more than offset stronger than expected property tax and real estate excise tax payments. Real estate activity rebounded in August. (Closings in August generate tax payments to the state in September). August taxable real estate activity was 5.6 percent above the year-ago level. Last month activity was up 2.4 percent. August saw a 7.2 percent increase in the number of transactions statewide, with a 1.3 percent decline in the average value per transaction. Once again, activity in King County was below the year-ago level, with taxable activity down 3.1 percent. Outside King County real estate activity was strong, with August taxable activity up 13.4 percent from the previous year.

General Fund collections by the Department of Licensing were virtually right on the estimate for the month.

The attached Table 1 provides a comparison of collections with estimates for the current midmonth period, September 11 - October 10, and cumulatively since the September forecast. Note the cumulative variance since the last forecast shown in Table 1 is virtually the same as the shortfall for the current month because the monthly estimates based on the September forecast reflect actual collections through September 10, 2001. Table 2 compares revised collection figures to the preliminary numbers reported in last month's midmonth report.

TABLE 1
Revenue Collection Report
October 10, 2001 Collections Compared to the September 2001 Forecast
Thousands of Dollars

<u>Period/Source</u>	<u>Estimate*</u>	<u>Actual</u>	<u>Amount</u>	<u>Difference</u> <u>Percent</u>
September 11 - October 10, 2001				
Department of Revenue-Total	\$727,166	\$713,467	(\$13,698)	-1.9%
Revenue Act** (1)	654,095	643,560	(10,535)	-1.6%
Non-Revenue Act(2)	73,071	69,908	(3,163)	-4.3%
Liquor Sales/Liter	7,392	8,019	626	8.5%
Cigarette	5,946	5,662	(284)	-4.8%
Property (State School Levy)- net after transfer	6,629	8,524	1,895	28.6%
Property tax collections	6,629	8,524	1,895	28.6%
transfer to the Student Achievement Acct.	0	0	0	NA
Estate	8,012	4,166	(3,846)	-48.0%
Real Estate Excise	40,063	40,957	893	2.2%
Timber (state share)	0	0	0	NA
Other	5,029	2,580	(2,448)	-48.7%
Department of Licensing (2)	811	741	(71)	-8.7%
Total General Fund-State***	\$727,977	\$714,208	(\$13,769)	-1.9%
Cumulative Variance Since the September Forecast (September 11 - October 10, 2001)3				
Department of Revenue-Total	\$727,166	\$713,467	(13,698)	-1.9%
Revenue Act** (3)	654,095	643,560	(10,535)	-1.6%
Non-Revenue Act(4)	73,071	69,908	(3,163)	-4.3%
Liquor Sales/Liter	7,392	8,019	626	8.5%
Cigarette	5,946	5,662	(284)	-4.8%
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Timber (state share)	0	0	0	NA
Other	5,029	2,580	(2,448)	-48.7%
Department of Licensing (4)	811	741	(71)	-8.7%
Lottery (5)	0	0	0	NA
Total General Fund-State***	\$727,977	\$714,208	(\$13,769)	-1.9%

1 Collections September 11 - October 10, 2001. Collections primarily reflect August 2001 activity of monthly taxpayers.

2 September 1-30, 2001 collections.

3 Cumulative collections, estimates and variance since the September 2001 forecast; (September 11- October 10, 2001) and revisions to history.

4 Cumulative collections, estimates and variance since the September 2001 forecast; (September 2001) and revisions to history.)

5 As of 7/1/01 lottery transfers are no longer part of the General Fund.

* Based on the September 2001 economic and revenue forecast.

**The Revenue Act consists of the retail sales, B&O, use, public utility, tobacco products taxes, and penalty and interest.

*** Detail may not add due to rounding. The General Fund-State total in this report includes only collections from larger state agencies: the Department of Revenue, the Department of Licensing and the Lottery Commission (util July 2001), about 97% of total General Fund-State.

Office of the Forecast Council

TABLE 2
September 10, 2001 Collection Report - Revised Data
Thousands of Dollars

<u>Period/Source</u>	<u>Collections</u>		<u>Difference</u>	
	<u>Preliminary</u>	<u>Revised</u>	<u>Amount</u>	<u>Percent</u>
August 11 - September 10, 2001				
Department of Revenue-Total	\$573,176	\$573,176	\$0	0.0%
Revenue Act (1)	635,221	635,221	0	0.0%
Non-Revenue Act(2)	(62,045)	(62,045)	0	-0.0%
Liquor Sales/Liter	7,342	7,342	0	0.0%
Cigarette	5,489	5,489	0	0.0%
Property (State School Levy)	(126,534)	(126,534)	0	-0.0%
Property tax collections	6,588	6,588	0	0.0%
transfer to the Student Achievement Acct.	(133,122)	(133,122)	0	0.0%
Estate	6,136	6,136	0	0.0%
Real Estate Excise	36,594	36,594	(0)	-0.0%
Timber (state share)	2,433	2,433	0	NA
Other	6,494	6,494	(0)	-0.0%
Department of Licensing (2)	1,170	1,170	0	0.0%
Lottery (2)	0	0	0	NA
Total General Fund-State***	\$574,347	\$574,347	(\$0)	-0.0%

Cumulative Receipts: June 11 - September 10, 2001 & Revisions to History

Department of Revenue-Total	2,498,957	\$2,498,957	\$0	0.0%
Revenue Act (3)	2,083,664	2,083,664	(0)	-0.0%
Non-Revenue Act(4)	415,294	415,294	(0)	-0.0%
Liquor Sales/Liter	21,692	21,692	(0)	-0.0%
Cigarette	17,769	17,769	0	0.0%
Property (State School Levy)-net after transfer	201,128	201,128	(0)	-0.0%
Property tax collections	334,250	334,250	0	0.0%
transfer to the Student Achievement Acct.	(133,122)	(133,122)	0	0.0%
Estate	16,862	16,862	(0)	-0.0%
Real Estate Excise	113,538	113,538	0	0.0%
Timber (state share)	2,433	2,433	0	NA
Other	41,872	41,872	(0)	-0.0%
Department of Licensing (4)	9,471	9,471	(0)	-0.0%
Lottery (4)	466	466	0	0.0%
Total General Fund-State***	2,508,894	\$2,508,894	(\$0)	-0.0%

P-Preliminary. Reported in the August 10, 2001 collection report.

R Revised data.

1 Collections July 11 - August 10, 2001. Collections primarily reflect June 2001 business activity of monthly taxpayers and April-June activity of quaterly filers.

2 July 1-30, 2001 collections.

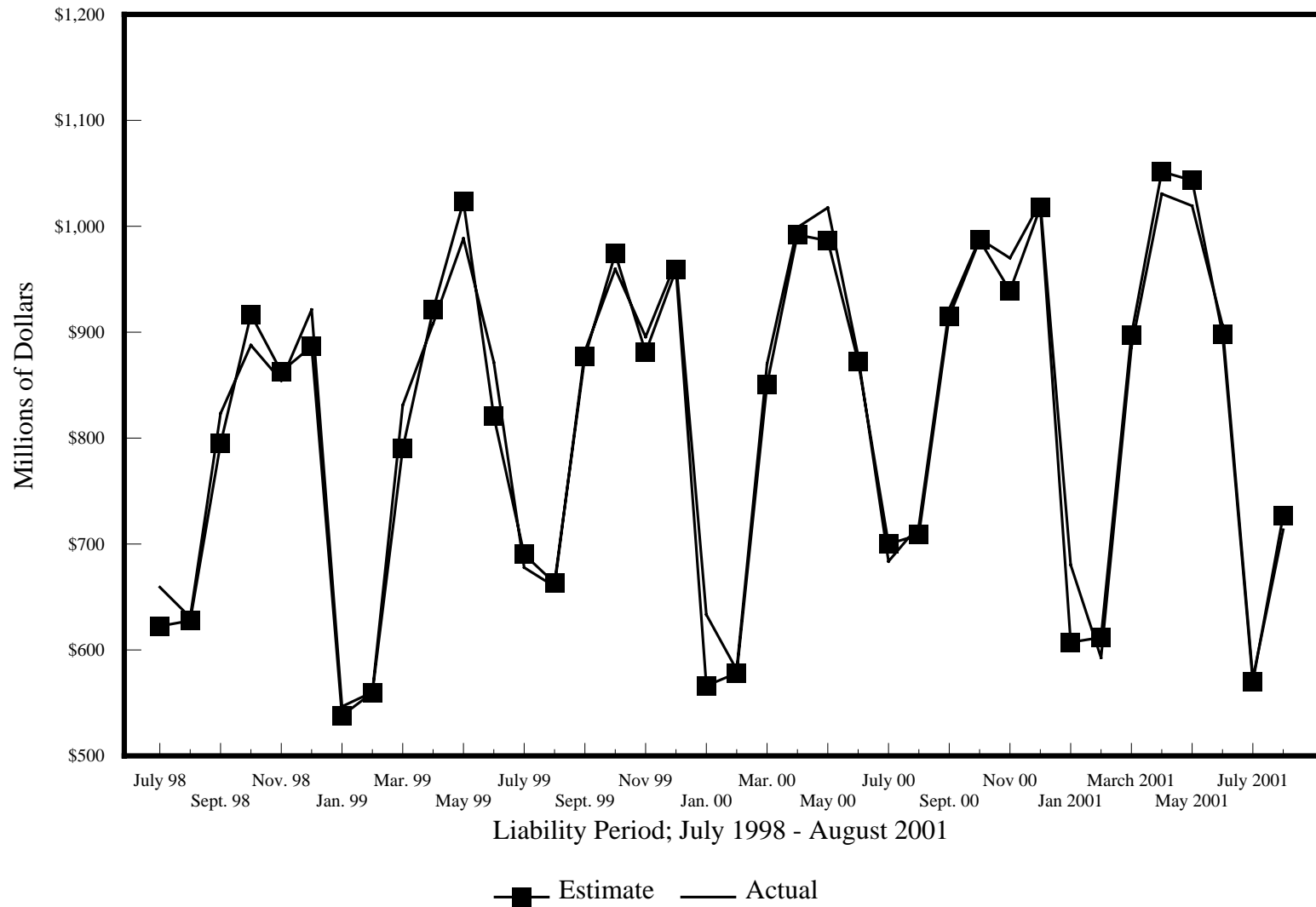
3 Cumulative variance for since the June 2001 forecast: June 11 - August 10,2001 & revisions to history.

4 Cumulative variance: since the March 2001 forecast (June and July 2001) & revisions to history.

* Revenue consists of the retail sales, B&O, use, public utility and tobacco products taxes, and penalty and interest payments for these taxes.

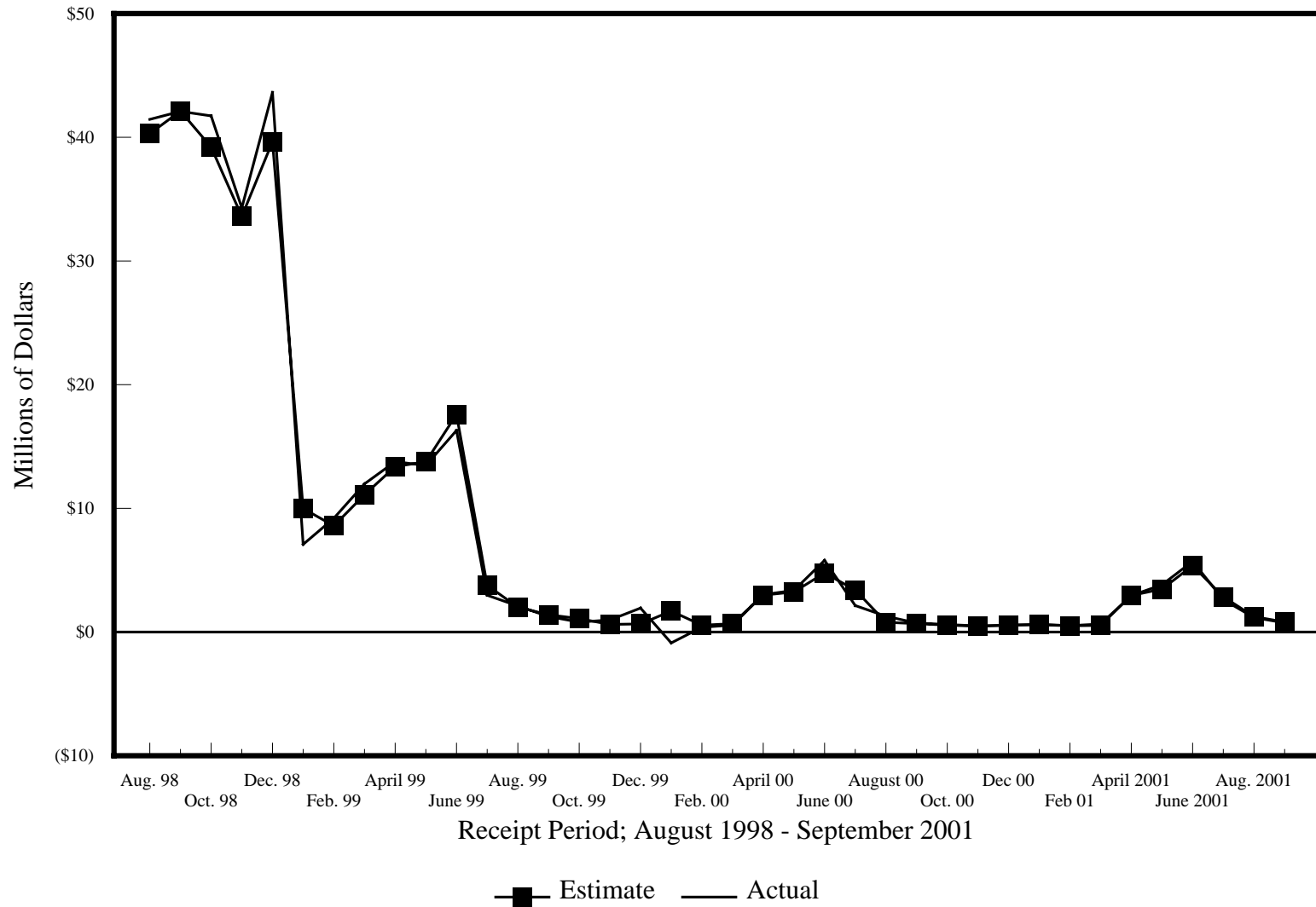
Department of Revenue: General Fund-State, Actual vs. Estimate

July 98 to August 2001



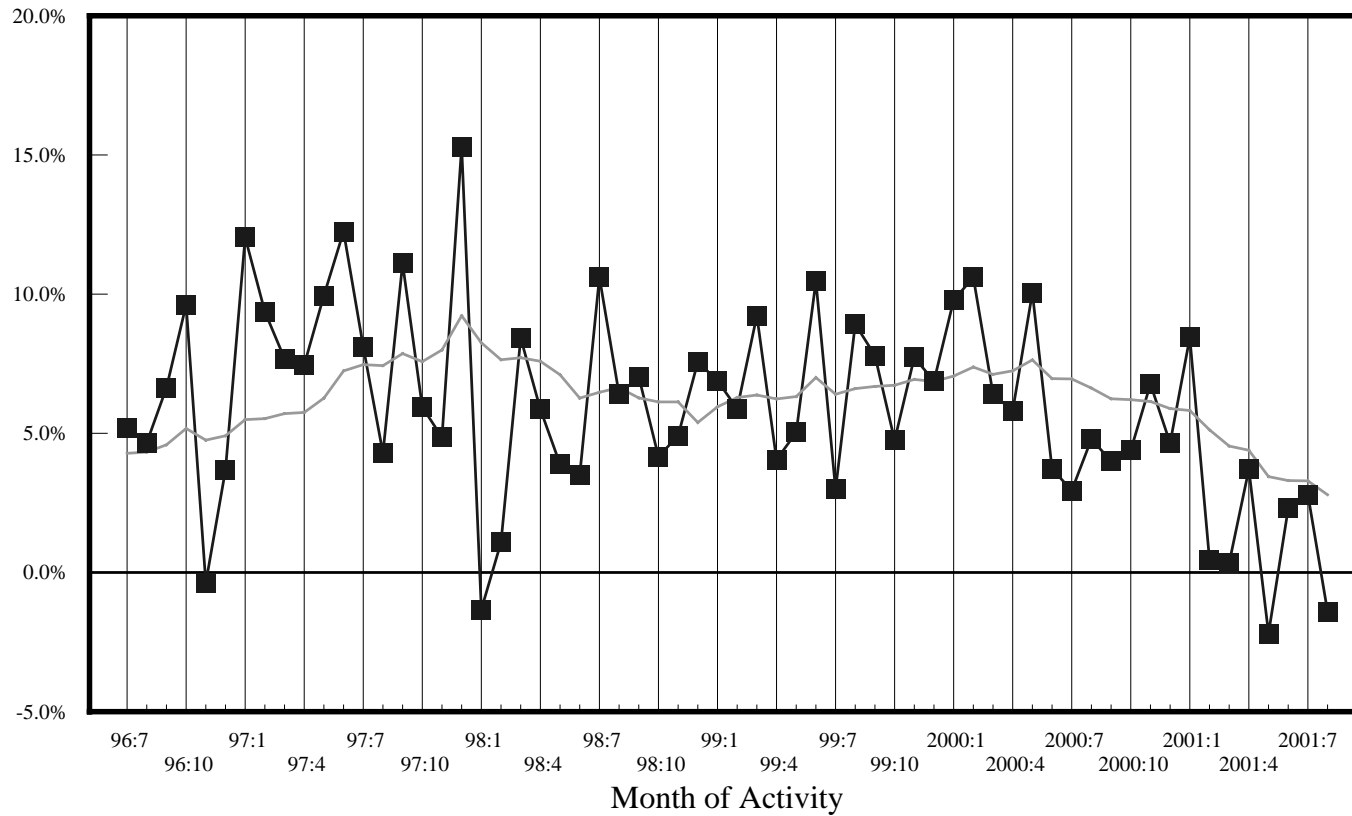
Department of Licensing General Fund-State, Actual vs. Estimate

August 98 to September 2001



Revenue Act Net Collections*

Year-over-Year Percent Change



■ %CH from year-ago month

— %change: 12 month moving average

*Adjusted for legislation, large refunds & audits, etc.